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FINANCIAL NEWS  
AND THE SITUATION

Higher Price Movement Is Accompanied by Sustaining Market Strength.

## MONEY RATES ARE EASIER

Reduction of Luxury Buying and Bond Market Are Problems of 1920.

By WILLIAM JUSTUS BOIES.

The securities market last week reflected increased confidence, indicated by the sort of buying that often appears after a period of drastic liquidation has eliminated elements of pronounced weakness. The recovery was not at all spectacular. On the contrary, there was no excitement, no order, and in the kind of securities usually demanded by discriminating buyers. The demonstration indicated that the preceding fortnight's market had strengthened the market's technical position and forced the final closing out of heavy speculative accounts that had been a menace to the market ever since the violent rise in prices began. It was an interesting market and sure to attract broader public support if nothing further be reported to occasion unsettlement.

## Industrial Factors.

That change in sentiment was more significant in view of alarm felt in some quarters concerning the President's health, new coal strike complications caused by criminal proceedings against the miners, confusion over Mexico and uncertainty as to just what measures could be taken to relieve the deadlock in the foreign exchange market. Quotations for New York exchange on principal European capitals declined to New York from several months of investigating conditions abroad, urged again the necessity of promptly providing our foreign customers with long term credit facilities, which their present position requires. A new emphasis was given to that need by the frank assertion of Mr. Warburg that "as long as Stock Exchange call loans retain their prime place as secondary resource of too many banks and the Stock Exchange demands for the call loan rate in the largest money centre of the world we shall not enjoy a complete and perfect banking system."

## Financing Reconstruction.

It is literally true and means that the country must develop its acceptance system on a scale sufficient to care for our growing foreign trade if we are to make the most of the alluring opportunity to extend our markets abroad. Such systems are dependent on the negotiation of proper credit facilities which must be granted immediately if the business is to be saved for our producers and manufacturers. Germany, with all its drawbacks, is working its operations ten hours a day to increase production and effect savings essential to put that nation in the industrial running. If those working hours can be maintained while the United States and Great Britain are finding it difficult to get workers to keep busy seven or eight hours a day, it is easy to tell which country ultimately will capture the world trade.

## Curtailing Speculation.

The Wall Street loan account has been pretty thoroughly purged by the closing out of thinly margined accounts and the bank position has been strengthened by the process. Interbank banks and those of large reserve centres must join forces in protecting the country from evils incident to overspeculation in farm lands, still under way in sections of the agricultural area. A recent step has been taken in that direction, but the movement is much more difficult to control than the Wall Street loan account, exposed to view every week, but the financial dimensions of the land crisis will not be discernible until the spring settlement of March 1. The account is certain to show a record indebtedness, because the transactions have been more numerous than ever before and negotiated at price basis without parallel in the history of land crises in this country. There have been instances in which some farms have changed hands six or eight times within a few months and always at an advancing price level. The total involved, although much smaller than that tied up in an active stock market speculation, will be formidable enough to interest all banks in this grain growing area. A fabulous sum has been tied up also in the speculation of properties. Many of those ventures have turned out well, but the craze long ago reached the stage where it commanded immense investments in long drawn out enterprises, which will take a good while to reach the producing stage.

## Trade Activity.

The American people are continuing to make enormous expenditures for luxuries which are in demand only at times when people are well supplied with money. Charles M. Schwab has said that there never was a "riot of luxurious expenditure," and the other day the president of the Equitable Life Assurance Society declared that unless the American people checked their present habits of extravagance a panic ultimately would be encountered. He added that although the nation's wealth had increased as measured in dollars the gains were largely because of growth in wealth, not a greater rate than the wealth that it represented, which means that the country is suffering from the inflation which inevitably results from the effort to finance the prodigious expenditures of the war period. That inflation has reached a point at which, according to Prof. Irving Fisher of Yale University, our dollar represents in purchasing power about what \$3 cent stood for in 1895. Advice from various sections of the country about the condition of high priced merchandise was never as general as now and indications are that the country's holiday trade this year will break all records. There is no telling how much further that craze will go nor just what will have to happen before it be checked. But the great need of the time is to get the country to stop that waste and enlarge the nation's rainy day fund. Bankers and business men should encourage all savings campaigns, for it is apparent that much money being spent does its spender very little good.

## Living Costs.

To a certain extent it can be said that our burdensome living expenses result from "high living," as the late James J. Hill pointed out at the time of the 1903 panic. Although the life insurance companies this year sold about \$7,000,000,000 more insurance than was written in 1918 the proportionate increase was probably not greater than it was in many years when increased facilities for purchasing insurance are taken into account.

One of the most urgent problems of the new year will be the task of making the average American increase his saving account and reduce that proportion of his expenditure for wasteful extra-

gance. That problem is worldwide and, although its solution is not clear at the moment, the average American has sufficient common sense to make him realize that the golden flow will not continue indefinitely.

## Financial Settlement.

The banks are fairly well fortified to meet year end settlements. Within the last week money rates have fallen near normal December quotation basis. Wall Street banks and great reserve cities' lending institutions will be called on to

make enormous loans to corporations and individuals during the next three weeks. Some of those heavy disbursements have been provided for, but others cannot be financed much in advance of their settlements.

At this season, in many years before the world war began, it was the custom of Wall Street borrowers to obtain heavy advances in English tides at the end of the year. That source of assistance not only has been stopped but 1911 and 1912 lenders are among those pressing most earnestly for financial accom-

modation from this market. It is clear that December borrowers this year will be restricted to this market's resources alone and that whatever speculative ventures they have to finance will have to be modified in accordance with the credit facilities available.

## Impending Loans.

With the turn of the year the probability is that American investors will be asked to make large purchases of bonds offered here at a higher interest basis by foreign Governments and mu-

nicipalities so hard pressed for funds as to justify them in offering liberal documents. Many of those loans are under consideration, and the probability is that important amounts will be made after the return flow of January dividend money to Wall Street banks will be a suggestive development at a time when the public was unloading its highly volatile issues. The country is bound to have a bond market sooner or later, and there is good reason to believe that it will develop early in 1920.

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